

Research@theTreasury

Economic Research and Debate at the Italian Treasury
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March 2018



Dipartimento
del Tesoro

LATEST PUBLICATIONS

L'evoluzione del credito alle società non finanziarie e alle famiglie: un'analisi empirica per l'Italia

Autore: Stefania Pozzuoli

WP n.2/2018

In questo lavoro si analizza la dinamica del credito bancario al settore privato, dal '99 (ovvero dall'entrata in vigore dell'euro) al 2015. Si cerca di comprendere quali sono le variabili che spiegano il credito e che maggiormente ne condizionano l'evoluzione, capire le relazioni che intercorrono tra le variabili identificate e valutare gli impatti dei vari shock delle variabili/componenti del mercato del credito sui prestiti erogati.

Con l'aiuto di un modello Vettoriale Autoregressivo (VAR) si individuano le variabili che più contribuiscono alla spiegazione del credito e si identificano le relazioni esistenti, giungendo alla specificazione di tre distinti modelli di previsione sia per le imprese non finanziarie che per le famiglie (per l'acquisto di abitazioni e per il credito al consumo e gli altri finanziamenti).

Mediante tali modelli si elaborano previsioni e valutano le capacità previsive. Inoltre con l'ausilio della funzione di risposta agli impulsi si sono osservati gli impatti dei vari shock delle componenti del mercato del credito sui prestiti.

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Back on Track? A micro-macro Narrative of Italian Exports

Authors: Matteo Bugamelli, Silvia Fabiani, Stefano Federico, Alberto Felettigh, Claire Giordano and Andrea Linarello

WP n.1/2018

Between 1999 and 2016 - after the European Monetary System crisis of the midNineties and the subsequent large swings among European currencies that ended with the adoption of the euro - Italy's goods exports increased nearly twofold at current prices. Yet, they fared worse than foreign sales of

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by A. Cataldi, S. D'Andrea, P. Zoppoli, P. Fabbri, D. Guerrera, M.R. Ebano

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the main euro-area competitors until 2007 (with the exception of France) and fell more intensely during the subsequent “Great Trade Collapse”. Only since 2010 signs of improvement have emerged: Italy’s exports have grown on average half a percentage point faster than the demand stemming from outlet markets and their share on world trade has remained broadly stable, after a protracted decline. Moreover, the negative growth gap vis-à-vis Germany has narrowed significantly.

These facts raise two closely related questions. First, what are the main factors explaining Italy’s less favourable export performance relative to the other main euroarea countries since 1999? Second, are the recent signs of recovery the result of a successful structural adjustment of Italian firms or rather the fortuitous consequence of cyclical and hence temporary factors? Addressing these questions can help contribute to the debate on Italy’s structural weaknesses and persistently low productivity and GDP growth, as well as to gather some useful insights into Italy’s export outlook.

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Dynamics of net foreign asset components in the EMU

Authors: Tatiana Cesaroni, Roberta De Santis
WP n.5/2017

In the last two decades, foreign capital investments have followed different paths in EMU countries. Given their importance for growth and productivity, we analyse the factors underlying the dynamics of foreign direct investments, portfolio debt investments, and portfolio equity investments in EMU countries over the years 1996-2014. We assess how the heterogeneous behaviour between core and peripheral countries can be related to macroeconomic factors (business cycle, trade, financial openness and spreads) and institutional quality. Our results show that financial integration as well as interest rates spread had an impact on the main components of foreign assets which was different between core and peripheral countries. In EMU countries as a whole we find a statistical significant relationship between institutional quality and foreign capital components, which is entirely driven by core countries.

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Are there common structural determinants of potential output growth in Europe? An empirical

exercise for 11 EMU countries

Authors: Roberta De Santis, Piero Esposito, Elena Masi

WP n.4/2017

GDP growth in the Eurozone during the last twenty years continuously decreased. In addition, the global financial crisis and subsequent events seem to have, on average, shifted the trajectory of the Eurozone's potential output downward. A key question is whether this trend is a permanent result of "secular stagnation" or if economic policies might improve the situation. In this paper, we test the impact of several structural determinants of potential output growth using a dynamic panel data methodology for 11 main EMU members for the period 1996-2014. We also take into account the role of fiscal policy stance and debt dynamics to assess whether European fiscal rules, especially in the aftermath of the financial and sovereign debt crises, contributed to the slowdown of potential growth. Estimated results suggest that population, tertiary education, research and development expenditure, trade and financial openness, and institutional quality contributed significantly to potential output growth in the EMU during the period under examination. We further find that debt accumulation affects positively and significantly potential growth for debt values up to 90% of GDP.

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Tax Competition among U.S. States: Racing to the Bottom or Riding on a Seesaw?

Authors: Robert Chirinko, Daniel J. Wilson
WP n.3/2017

Dramatic declines in capital tax rates among U.S. states and European countries have been linked by many commentators to tax competition, an inevitable "race to the bottom," and underprovision of local public goods. This paper analyzes the reaction of capital tax policy in a given U.S. state to changes in capital tax policy by other states. Our study is undertaken with a novel panel data set covering the 48 contiguous U.S. states for the period 1965 to 2006 and is guided by the theory of strategic tax competition. The latter suggests that capital tax policy is a function of "foreign" (out-of-state) tax policy, preferences for government services, home state and foreign state economic and demographic conditions. The slope of the reaction function - the equilibrium response of home state to

foreign state tax policy - is negative, contrary to casual evidence and many prior empirical studies of fiscal reaction functions. This result, which stands in contrast to most published findings, is due to two critical elements - allowing for delayed responses to foreign tax changes and for heterogeneous responses to aggregate shocks. Omitting either of these elements leads to a misspecified model and a positively sloped reaction function. Our results suggest that the secular decline in capital tax rates, at least among U.S. states, reflects synchronous responses among states to common shocks rather than competitive responses to foreign state tax policy. While striking given prior empirical findings, these results are fully consistent with the qualitative and quantitative implications of the theoretical model developed in this paper and presented elsewhere in the literature. Rather than "racing to the bottom," our findings suggest that states are "riding on a seesaw." Consequently, tax competition may lead to an increase in the provision of local public goods, and policies aimed at restricting tax competition to stem the tide of declining capital taxation are likely to be ineffective.

[Read the paper.](#)

UNDER REVIEW FOR PUBLICATION

A stochastic estimated version of the Italian dynamic General Equilibrium Model (IGEM)

Authors: Nicola Acocella, Giorgio Alleva, Mauro Bernardi, Giovanni Di Bartolomeo, Fabio Di Dio, Marco Di Pietro, Francesco Felici, Brunero Liseo, Lea Petrella, Andrea Tancredi

Questa nuova newsletter presenta le occasioni di dibattito e i contributi di ricerca sui temi economico-finanziari del Dipartimento del Tesoro. Il vostro parere per noi è importante, potete scriverci a dt.segretaria.direzione1@tesoro.it.

This is the new edition of the Italian Treasury newsletter presenting papers, presentations and seminars on economic and financial issues. If you have any comments or suggestions feel free to write us at dt.segretaria.direzione1@tesoro.it.

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